

ORLEANS PUBLIC DEFENDERS
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the District Defender
Orleans Public Defenders
New Orleans, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Orleans Public Defenders (OPD)** as of and for the year ended June 30, 2012, which collectively comprise **OPD's** basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of **OPD's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and the major fund of **OPD**, as of June 30, 2012 and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the District Defender
Orleans Public Defenders
New Orleans, Louisiana
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2012 on our consideration of OPD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 21, 2012

ORLEANS PUBLIC DEFENDERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

The **Orleans Public Defenders' (OPD)** Management's Discussion and Analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of **OPD's** financial activity, and identify changes in **OPD's** financial position and its ability to address the next and subsequent years' challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments" and is intended to provide the financial results for the year ended June 30, 2012.

The following is an illustration on how this financial report is presented.

MD&A Management's Discussion and Analysis (Required Supplementary Information)

Basic Financial Statements Government-Wide Financial Statements Fund Financial Statements Notes to the Financial Statements

Other Required Supplementary Information Required Supplementary Information

ORLEANS PUBLIC DEFENDERS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: Government-Wide Financial Statements and Fund Financial Statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of **OPD's** finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of **OPD's** assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of **OPD** is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. **OPD**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of **OPD** are categorized as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

ORLEANS PUBLIC DEFENDERS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Governmental funds, continued. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and net change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

OPD maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and net change in fund balance for the general fund, which is considered to be the major fund.

OPD adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning **OPD's** budgetary comparison schedule for its major governmental fund. The required supplementary information can be found on page 29 of this report.

ORLEANS PUBLIC DEFENDERS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Financial Analysis of OPD

Summary of Net Assets

	<u>As of</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets		
Current assets	\$899,233	\$ 682,817
Capital assets, net book value	<u>57,723</u>	<u>68,690</u>
Total assets	<u>956,956</u>	<u>751,507</u>
Liabilities		
Current liabilities	169,259	342,336
Long-term liabilities	<u>161,521</u>	<u>198,446</u>
Total liabilities	<u>330,780</u>	<u>540,782</u>
Net Assets		
Invested in capital assets	57,723	68,690
Temporarily restricted	57,676	107,523
Unrestricted	<u>510,777</u>	<u>34,512</u>
Total net assets	<u>\$626,176</u>	<u>\$ 210,725</u>

As indicated by the statement above, total net assets at June 30, 2012 are \$626,176. Net assets are separated into three categories: invested in capital assets, temporarily restricted and unrestricted net assets.

Invested in capital assets is a combination of capital assets at original cost less accumulated depreciation. The original cost of capital assets is \$298,078, which is an accumulation of capital assets year after year less any capital disposals. Accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with accounting principles generally accepted in the United States of America, depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, and expensed over the estimated useful life of the asset. Total accumulated depreciation is \$240,355.

ORLEANS PUBLIC DEFENDERS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Financial Analysis of OPD, Continued

The remaining \$510,777 in net assets is unrestricted. The unrestricted net assets are an accumulation of prior years' operating results. This balance is directly affected each year by **OPD's** operating results.

Results of Operations

	For the Year ended June 30, <u>2012</u>	For the Year ended June 30, <u>2011</u>
Revenues		
Operating revenues	\$8,284,033	\$9,151,794
Non-operating revenues	<u>22</u>	<u>639</u>
Total revenues	<u>8,284,055</u>	<u>9,152,433</u>
Expenses		
Personnel services and benefits	5,550,520	6,143,660
Other operating expenses	<u>2,318,084</u>	<u>3,225,406</u>
Total expenses	<u>7,868,604</u>	<u>9,369,066</u>
Increase (decrease) in net assets	\$ <u>415,451</u>	\$ <u>(216,633)</u>

As indicated above, net assets increased by \$415,451 due to significantly scaling back the level of service **OPD** previously provided.

ORLEANS PUBLIC DEFENDERS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Results of Operations, Continued

Total expenses for the year ended June 30, 2012 decreased as compared to the year ended June 30, 2011 due to a funding crisis. **OPD** was forced to downsize and restrict the delivery of public defender services. The reduction in expenses included (but was not limited to) staff layoffs, management pay cuts, mandatory furloughs, diminished insurance benefits and the elimination of the Conflict Division. Operating revenues for the year ended June 30, 2012 decreased when compared to operating revenues for the year ended June 30, 2011 due to a decrease in District Assistance Funds received from the Louisiana Public Defender Board for the year ended June 30, 2012.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2012, **OPD** has \$57,723 (net of accumulated depreciation of \$240,355) invested in furniture, fixtures and equipment. There were no significant changes in capital assets when compared to June 30, 2011.

Economic Factors and Next Year's Budget

The major factor affecting the budget is the local revenue received from court costs on fines and forfeitures, which includes fees received from traffic, municipal, juvenile and criminal courts. Additionally, **OPD** receives grants, bond funds, a city appropriation, and a district allotment from the Louisiana Public Defender Board.

Budgetary Highlights

As required by state law, **OPD** adopts the original budget prior to the commencement of the fiscal year to which the budget applies. **OPD** amended its original budget for the year ended June 30, 2012 to reflect a decrease in the City appropriation as well as a reduction in expenses.

ORLEANS PUBLIC DEFENDERS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Contacting OPD Financial Management

This financial report is designed to provide citizens, taxpayers, funding sources and creditors with a general overview of **OPD's** finances and demonstrate **OPD's** accountability for money it receives. If you have questions about this report or need additional information, contact Mr. Derwyn D. Bunton, Chief District Defender, at 2601 Tulane Avenue, Suite 700, New Orleans, Louisiana 70119.

ORLEANS PUBLIC DEFENDERS
STATEMENT OF NET ASSETS
JUNE 30, 2012

GOVERNMENTAL
ACTIVITIES

ASSETS

Current Assets:

Cash and cash equivalents (NOTES 1 and 2)	\$ 63,741
Court costs on fines and forfeitures receivable	284,271
City appropriation receivable	445,021
District assistance funds receivable	52,000
Grants receivable	40,500
Other receivables	<u>13,700</u>

Total current assets 899,233

Capital assets, net (NOTES 1 and 3) 57,723

Total assets 956,956

LIABILITIES

Current Liabilities:

Accounts payable	<u>169,259</u>
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Total current liabilities 169,259

Compensated absences (NOTE 1) 161,521

Total liabilities 330,780

NET ASSETS (NOTE 8)

Invested in capital assets	57,723
Temporarily restricted	57,676
Unrestricted	<u>510,777</u>

Total net assets \$626,176

The accompanying notes are an integral part of these financial statements.

ORLEANS PUBLIC DEFENDERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues:

District assistance funds (NOTE 6)	\$4,117,998
Court costs on fines and forfeitures	2,202,017
City appropriation	1,225,601
Grants (NOTE 7)	352,842
Bond funds	199,718
Reimbursements and application fees	167,726
Probation assessments	17,631
Other revenue	<u>500</u>

Total operating revenues	<u>8,284,033</u>
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Operating Expenses:

Personnel services and benefits	5,550,520
Professional development	93,828
Other operating costs	2,193,214
Depreciation	<u>31,042</u>

Total operating expenses	<u>7,868,604</u>
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Net operating income	<u>415,429</u>
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Nonoperating Revenue:

Interest income	<u>22</u>
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Total nonoperating revenue	<u>22</u>
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Increase in net assets	<u>415,451</u>
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Net assets, at beginning of year	<u>210,725</u>
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Net assets, end of year	<u>\$ 626,176</u>
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The accompanying notes are an integral part of these financial statements.

ORLEANS PUBLIC DEFENDERS
BALANCE SHEET-GOVERNMENTAL FUND
JUNE 30, 2012

General Fund

ASSETS

Current Assets:

Cash and cash equivalents	\$ 63,741
Court costs on fines and forfeitures receivable	284,271
City appropriation receivable	70,181
District assistance funds receivable	52,000
Grants receivable	40,500
Other receivable	<u>13,700</u>

Total assets	<u><u>\$524,393</u></u>
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LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ <u>169,259</u>
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Total liabilities	<u>169,259</u>
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Fund Balance (NOTE 8):

Temporarily restricted	57,676
Unassigned	<u>297,458</u>

Total fund balance	<u>355,134</u>
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Total liabilities and fund balance	<u><u>\$524,393</u></u>
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The accompanying notes are an integral part of these financial statements.

ORLEANS PUBLIC DEFENDERS
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUND TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balance - Governmental Fund \$ 355,134

Amounts reported for governmental activities in
the Statement of Net Assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the governmental fund (NOTE 3):

Cost of capital assets	\$ 298,078
Accumulated depreciation	<u>(240,355)</u>

57,723

Receivables not available to meet the liabilities
of the current period may not be included as
governmental fund revenue or receivables:

City of New Orleans appropriation receivable	374,840
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Long-term liabilities are not due and payable in the
current period and therefore are not reported in the
governmental fund (NOTE 1)

(161,521)

Net assets of governmental activities \$ 626,176

The accompanying notes are an integral part of these financial statements.

ORLEANS PUBLIC DEFENDERS
STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGE
IN FUND BALANCE--GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

General Fund

REVENUES (NOTE 11)

District assistance funds	\$4,117,998
Court costs on fines and forfeitures	2,202,017
City appropriation	925,761
Grants (NOTE 7)	364,842
Bond funds	199,718
Reimbursements and application fees	167,726
Probation assessments	17,631
Other revenue	<u>522</u>
 Total revenues	 <u>7,996,215</u>

EXPENDITURES (NOTE 11)

Personnel services and benefits	5,587,445
Professional development	93,828
Other operating costs	2,193,214
Capital outlays	<u>20,075</u>
 Total expenditures	 <u>7,894,562</u>
 Net change in fund balance	 101,653
 Fund balance, beginning of year	 <u>253,481</u>
 Fund balance, end of year	 <u>\$ 355,134</u>

The accompanying notes are an integral part of these financial statements.

ORLEANS PUBLIC DEFENDERS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND NET CHANGE IN FUND BALANCE--GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Total net change in fund balance--Governmental Fund \$ 101,653

Amounts reported for governmental activities in
the Statement of Net Assets are different because:

The Governmental Fund reported capital outlays as
expenditures whereas in the Statement of Activities
these costs are depreciated over their estimated lives:

Capital assets purchased	20,075	
Depreciation expense	<u>(31,042)</u>	
		<u>(10,967)</u>

Receivables not available to meet the liabilities of the
fiscal year may not be included as governmental fund
revenue or receivables:

City of New Orleans appropriation revenue	374,840
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Receivables of the previous fiscal year that were not
available to meet the liabilities of that year, but which
were collected during the current fiscal year, are
included as governmental fund revenue of the current
fiscal year:

City of New Orleans appropriation revenue	(75,000)	
Grant revenue	<u>(12,000)</u>	
		<u>(87,000)</u>

In the statement of activities, the cost of compensated
absences is measured by the amounts earned during
the year, while in the governmental fund expenditures
are recognized based on the amounts actually paid for
leave used. This is the net amount of vacation and sick
leave used (earned) in excess of the amount earned
(used) in the current period.

36,925

Increase in net assets of governmental activities	<u>\$415,451</u>
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The accompanying notes are an integral part of these financial statements.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - **BACKGROUND AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES:**

Background

Orleans Public Defenders (OPD), established in compliance with Louisiana Revised Statutes 15:146 et seq., provides counsel to represent indigents (needy individuals) in criminal, quasi-criminal, juvenile, municipal and traffic cases at the District Court level. The 41st judicial district encompasses the Parish of Orleans, Louisiana. All duties and responsibilities for the management of personnel, property and funds are by virtue of Act 307 those of the District Defender. Revenues to finance **OPD's** operations are provided primarily by District Assistance Funds from the Louisiana Public Defender Board (LPDB), City of New Orleans budget appropriations, and court costs on fines imposed by the various courts within the district.

Summary of Significant Accounting Policies

A. **Implementation of GASB Statements**

Beginning with fiscal year 2011, **OPD** implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their provider (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - BACKGROUND AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Summary of Significant Accounting Policies, Continued

A. Implementation of GASB Statements, Continued

- Committed fund balance—amounts constrained to specific purposes by **OPD** itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless **OPD** takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts **OPD** intends to use for a specific purpose. Intent can be expressed by the District Defender or by an official to which the District Defender delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

At June 30, 2012, **OPD** had no nonspendable, committed, or assigned fund balances.

B. Basis of Presentation

The accompanying financial statements of **OPD** have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - BACKGROUND AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

C. Reporting Entity

For financial reporting purposes, in conformance with GASB Codification Section 2100, **OPD** is a part of the District Court System of the State of Louisiana. However, **OPD** operates autonomously from the State of Louisiana and independently from the District Court System. Therefore, **OPD** reports as an independent reporting entity and the financial statements include only the transactions of **OPD**.

D. Fund Accounting

OPD uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain **OPD** functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The funds of **OPD** are classified as governmental.

The governmental funds account for all of **OPD's** general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the funds from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of **OPD**. The following is a description of **OPD's** governmental fund:

General Fund - the operating fund of **OPD** which accounts for all financial resources. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to **OPD**.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - BACKGROUND AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

E. Basis of Accounting/Measurement Focus

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of **OPD**.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Fund Financial Statements (FFS)

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and net change in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the governmental-wide statements and the statements for governmental funds are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - **BACKGROUND AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

E. Basis of Accounting/Measurement Focus, Continued

Fund Financial Statements (FFS), Continued

FFS report detailed information about **OPD**. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

Governmental funds are maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. **OPD** uses the following practices in recording revenues and expenditures.

Revenues

Court costs on fines and forfeitures are recorded in the month the amounts are collected by the appropriate courts. Interest income on time deposits is recorded when the time deposits have matured.

Expenditures

Expenditures are recognized in the accounting period in which the liability is incurred.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - BACKGROUND AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

E. Budgetary Data

OPD's Governing Authority as of July, 2008, is the District Defender by virtue of Act 307.

OPD utilizes the following budget practices:

- In the last quarter of the year, a budget for the following year is prepared and submitted to the Governing Authority for approval. The budget may be amended during the year, if requested, with the approval of the Governing Authority.
- The budget records are maintained in the accounting department with all other public records of this program and can be reviewed by making arrangements with the Governing Authority.
- The budget is based on prior year experience as to receipts and disbursements and takes into consideration increases in costs of services and supplies, taxes, insurance and equipment, as well as the increased costs of salaries and fringe benefits when raises and/or new positions are authorized. The budget as a whole is based on the amount of money that is available and the disbursements that are necessary to maintain the efficient operation of this program.
- Monthly financial reports are submitted to the Governing Authority, which in part list the amount of the budget that has been used for that period and indicates a favorable or unfavorable difference as to the budget amount attributed to the period of time being reported.
- All budgetary appropriations lapse at the end of the fiscal year and **OPD** does not use a system of encumbrance accounting.
- The budget for the general fund expenditures is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - BACKGROUND AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

G. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing time deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less. Under state law, **OPD** may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other State of the United States, or under the laws of the United States.

H. Capital Assets

Capital assets are stated at historical cost at the date of purchased or at fair market value at the date of donation, if donated. Additions, improvements, and expenditures greater than \$1,000 that significantly extend the useful life of an asset are capitalized.

Depreciation is provided over the estimated useful lives of assets using the straight-line method. The estimated useful life of furniture, fixtures and equipment is 5 years (see NOTE 3).

I. Compensated Absences

Employees earn one and one-half (1 ½) days of annual leave each month. Sick leave is earned at the rate of one (1) day each month. A maximum of 80 hours of annual leave and all sick leave may be carried over to the subsequent year. Upon termination of employment, any unused accrued annual leave is payable to the employee while any unused sick leave is forfeited.

Compensated absences at July 1, 2011	\$ 198,446
Additions	307,777
Deductions	<u>(344,702)</u>
Compensated absences June 30, 2012	<u>\$ 161,521</u>

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - **BACKGROUND AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - **CASH AND CASH EQUIVALENTS:**

At June 30, 2012, **OPD** had cash and cash equivalents (book balances) totaling \$63,741. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of **OPD** in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that, in the event of a failure of a financial institution or counterparty, **OPD** would not be able to recover its deposits, investments or collateral securities that are in possession of an outside party. At June 30, 2012, **OPD** has \$81,296 in non-interest-bearing deposits (collected bank balances). The Federal Deposit Insurance Corporation (FDIC) provides temporary unlimited deposit insurance coverage on these accounts which will remain in effect through December 31, 2012. At June 30, 2012 **OPD's** deposits were fully insured.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - CAPITAL ASSETS:

Capital assets and depreciation activity as of and for the year June 30, 2012 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Furniture, fixtures and equipment	\$ 278,003	\$ 20,075	\$ -0-	\$ 298,078
Less: accumulated depreciation	<u>(209,313)</u>	<u>(31,042)</u>	<u>-0-</u>	<u>(240,355)</u>
Net capital assets	<u>\$ 68,690</u>	<u>\$(10,967)</u>	<u>\$ -0-</u>	<u>\$ 57,723</u>

NOTE 4 - PENSION PLAN:

OPD's employees participate in the federal social security program. **OPD** is required to remit an amount to the Social Security Administration equal to the employee's contribution up to an established limit. **OPD** does not guarantee any of the benefits granted by the Social Security Administration.

NOTE 5 - OPERATING LEASE:

OPD also has an operating lease for office space that ends June 20, 2015 with a monthly lease payment of \$22,000. As of June 30, 2012, future minimum rental payments under the lease are as follows:

<u>Year Ending June 30,</u>	
2013	\$264,000
2014	264,000
2015	<u>264,000</u>
	<u>\$792,000</u>

Total lease expense for year ended June 30, 2012 was \$305,965.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - DISTRICT ASSISTANCE FUND:

During the year June 30, 2012, **OPD** was awarded and received grant funds from the Louisiana Public Defender Board's (LPDB) District Assistance Fund. The District Assistance Fund is a grant-in-aid program intended to provide supplemental financial assistance in felony cases to district public defender boards that have a need for such supplemental funding and that are willing to comply with the standards, guidelines, and policies of the LPDB.

Funding under the program is being provided to assist qualified districts in improving the quality of indigent defense on a continuous basis especially with respect to the following major goals:

- 1) To lower attorney caseloads to levels consistent with LPDB and national caseload standards;
- 2) To increase the pool of qualified attorneys certified under the LPDB's capital and appellate programs;
- 3) To provide more effective attorney unit support in the form of investigators, secretaries, and other forms of office support;
- 4) To improve criminal defense knowledge and skill through training, specialized continuing legal education, and better supervision; and
- 5) To defray expert witness/testing costs.

NOTE 7 - GRANTS:

OPD received grant funding from the following sources during the year ended June 30, 2012:

Open Society Institute	\$101,500
SPDTC Fellows	100,000
City of New Orleans (ARRA JAG)	83,568
New Orleans Police and Justice Foundation	60,462
Equal Justice Works	<u>7,312</u>
Total	<u>\$352,842</u>

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - CLASSIFICATION OF NET ASSETS AND FUND BALANCES:

On the GWFS, net assets are separated into three categories: invested in capital assets, restricted, and unrestricted. On the FFS, fund balances are separated into two categories: unassigned and restricted.

The restricted balance in each fund is the portion of previously recognized grant revenues for which donor-imposed restrictions have not yet been met. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent.

On the GWFS and FFS, restricted net assets as of June 30, 2012 are as follows:

Net assets restricted for:	
Attorney training and communications	\$38,100
Expert fees	8,030
Racial justice improvement project	<u>11,546</u>
Total	<u>\$57,676</u>

NOTE 9 - RISK MANAGEMENT:

OPD is exposed to various risks of loss related to torts, theft of, and damage to and destruction of assets for which **OPD** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 10 - DATE OF MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS:

Management has evaluated subsequent events through December 21, 2012, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the financial statement date requiring accrual or disclosure.

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - GOVERNMENTAL FUND REVENUES AND EXPENDITURES:

For the year June 30, 2012, the major sources of governmental fund revenues and expenditures were as follows:

Revenues

State Government

Appropriations - general	\$4,117,998	
Appropriations - special	-0-	
Revenue sharing	-0-	
Grants	-0-	
On-behalf payments	-0-	
Other	<u>163,779</u>	
Total		<u>\$4,281,777</u>

Local Government

Appropriations - general	925,761	
Appropriations - special	-0-	
Grants	83,568	
Statutory fines, forfeitures, fees, court costs, and other	2,423,313	
Taxes - millages, sales, special, and other	-0-	
Criminal court fund	-0-	
On-behalf payments	-0-	
Other	<u>-0-</u>	
Total		<u>3,432,642</u>

Federal Government:

Grants - direct	-0-	
Grants - indirect (passed-through state)	<u>-0-</u>	
Total		<u>-0-</u>

Other Grants and Contributions

Non-profit organizations	281,274	
Private organizations	-0-	
Corporate	-0-	
Other	<u>500</u>	
Total		<u>281,774</u>

Charges for Services -0-

Investment earnings 22

Miscellaneous -0-

Total revenues \$ 7,996,215

ORLEANS PUBLIC DEFENDERS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - GOVERNMENTAL FUND REVENUES AND EXPENDITURES,
CONTINUED:

Expenditures

Personnel Services and Benefits

Salaries	\$4,366,223	
On-behalf payments - salaries	-0-	
Retirement contributions	-0-	
On-behalf payments - retirement	-0-	
Insurance	502,638	
On-behalf payments - insurance	-0-	
Payroll taxes	362,449	
Other	<u>356,135</u>	
Total		<u>\$5,587,445</u>

Professional Development

Dues, licenses, and registrations	29,629	
Travel	-0-	
Other	<u>64,198</u>	
Total		<u>93,828</u>

Operating Costs

Library and research	34,253	
Contract services - attorney/legal	1,361,680	
Contract services - other	110,782	
Lease - office	294,000	
Lease - autos and other	11,965	
Travel - transportation	33,562	
Travel - other	2,906	
Insurance	59,293	
Supplies	57,897	
Repairs and maintenance	5,882	
Utilities and telephone	77,327	
Other	<u>143,667</u>	
Total		<u>2,193,214</u>

Debt Service

-0-

Capital Outlays

20,075

Total expenditures \$7,894,562

SUPPLEMENTARY INFORMATION

ORLEANS PUBLIC DEFENDERS
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive/ (Negative)
Revenues				
District Assistance Funds	\$ 3,300,000	\$ 4,085,442	\$ 4,117,998	\$ 32,556
Court costs on fines and forfeitures	2,743,000	2,220,570	2,202,017	(18,553)
City appropriation	2,625,000	855,436	925,761	70,325
Grants	300,000	356,000	364,842	8,842
Bond funds	250,000	215,000	199,718	(15,282)
Reimbursements and application fees	100,000	-0-	167,726	167,726
Probation Assessments	27,000	20,000	17,631	(2,369)
Other revenue	150,300	10,525	522	(10,003)
Total revenues	9,495,300	7,762,973	7,996,215	233,242
Expenditures				
Personnel services:				
Salaries	5,900,000	4,659,000	4,366,223	292,777
Accrued leave	-0-	51,000	345,117	(294,117)
Hospitalization insurance	750,000	503,100	502,638	462
Payroll taxes	460,000	377,660	362,449	15,211
Workers' compensation	14,000	11,000	11,018	(18)
Professional development	75,000	85,000	93,828	(8,828)
Operating costs				
Contract services - attorneys/legal	1,450,000	1,200,000	1,319,398	(119,398)
Contract services - other	105,000	82,650	86,072	(3,422)
Lease - building	294,000	294,000	294,000	-
Lease - equipment	15,000	10,500	11,965	(1,465)
Supplies	70,000	60,000	57,897	2,103
Insurance	65,000	59,350	59,293	
Library and research	42,000	36,000	34,253	1,747
Utilities and telephone	85,000	80,000	77,327	2,673
Repair and maintenance	30,000	5,800	5,882	(82)
Other	185,000	203,700	247,127	(43,427)
Capital outlays	25,000	16,740	20,075	(3,335)
Total expenditures	9,565,000	7,735,500	7,894,562	(159,119)
Net change in fund balance	(69,700)	27,473	101,653	74,123
Fund balance - June 30, 2011	253,481	253,481	253,481	-0-
Fund balance - June 30, 2012	\$ 183,781	\$ 280,954	\$ 355,134	\$ 74,123

See Accompanying Independent Auditors' Report.



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the District Defender
Orleans Public Defenders
New Orleans, Louisiana

We have audited the financial statements of governmental activities and the major fund of **Orleans Public Defenders (OPD)** as of and for the year June 30, 2012, which collectively comprise **OPD's** basic financial statements, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of **OPD** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **OPD's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **OPD's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **OPD's** internal control over financial reporting.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting, Continued

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of **OPD's** financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **OPD's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

This report is intended solely for the information and use of the District Defender, management, the Louisiana Legislative Auditor, State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

December 21, 2012

ORLEANS PUBLIC DEFENDERS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

We have audited the financial statements of the **Orleans Public Defenders** as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of and for the year ended June 30, 2012 resulted in an unqualified opinion.

Section I - Summary of Auditors' Results

- A. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **None reported** Material weaknesses: **No**
- B. Noncompliance which is material to the financial statements: **No**
- C. Significant deficiencies in internal control over major programs: **Not applicable**
Material weaknesses: **Not applicable**
- D. The type of report issued on compliance for major programs: **Not applicable**
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **Not applicable**
- F. Major programs: **Not applicable**
- G. Dollar threshold used to distinguish between Type A and Type B programs: **Not applicable**
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **Not applicable**
- I. A management letter was issued: **No**

ORLEANS PUBLIC DEFENDERS
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Internal Control and Compliance
Material to the Financial Statements

No matters reported.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

ORLEANS PUBLIC DEFENDERS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Internal Control and Compliance Material to the Financial Statements

11 - 01 - Accrued Vacation Liability

We recommended that **OPD** review the accounting literature with respect to its policies to ensure that liabilities and expenses are appropriately recognized in the financial statements in the proper accounting period.

Current Status

Resolved.

Section II - Federal Award Findings and Questioned Costs

Not applicable.

Section III - Management Letter

No matters reported.

ORLEANS PUBLIC DEFENDERS

EXIT CONFERENCE

An exit conference was held on December 28, 2012. The following persons were in attendance:

ORLEANS PUBLIC DEFENDERS

Mr. Derwyn D. Bunton	--	Chief District Defender
Ms. Dannielle Berger	--	Director of Administration

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Alcide J. Tervalon, Jr., CPA	--	Managing Partner
Ms. Sherina C. Lewis, CPA	--	Manager
Ms. Margaret Y. Bell	--	Staff Accountant